

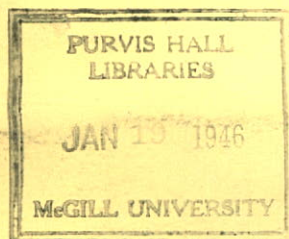
Canadian Food Products

L i m i t e d



SEVENTEENTH ANNUAL REPORT

Year ended October 30th
1945



CANADIAN FOOD PRODUCTS LIMITED

REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS:

Your Directors present herewith a statement of the affairs and of the financial position of your Company for the fiscal year ended October 30th, 1945.

Several important acquisitions have been made since the end of the war in accordance with the previously formulated plans to expand your Company's operations. The businesses of Barker's Bakeries Limited, Manning Biscuit Company Limited and Federal System of Bakeries Limited were purchased as a first step in the expansion of the operations of Woman's Bakery Limited, a wholly owned subsidiary. Leases on several new shop locations also have been acquired for the various subsidiaries.

HONEY DEW DIVISION

This Division now operates 36 shops and restaurants in various cities throughout Canada. For most of the year one important shop in the City of Toronto was closed as a result of a serious fire. It has been reopened since the end of the fiscal year and is operating successfully again. Your Company was unable to retain possession of another important shop in Toronto after May, 1945, but notwithstanding the loss of volume from these two shops, the sales of this Division have shown important increases over the previous year. An existing restaurant was purchased in the City of Calgary in October, 1945, which will be modernized in due course.

WOMAN'S BAKERY DIVISION

As a result of the acquisitions referred to above, this Division is being prepared for an important expansion of business in the City of Toronto. It now operates two bakeries and thirty-three shops, the sales and profits of which are continuing at satisfactory levels having regard to the continued shortage of many principal ingredients.

MUIRHEADS CAFETERIAS, LIMITED

The sales and profits of this subsidiary in its three cafeterias in the City of Toronto were satisfactory. Plans for the expansion of this type of operation are being developed.

PICARDY LIMITED

This company and its controlled subsidiaries operate a candy factory in Winnipeg, several bakeries, and shops in Calgary, Edmonton, Regina, Saskatoon and Winnipeg. A factory site in the City of Vancouver was acquired during the year as a first step in the development of a chain of Picardy shops in British Columbia. The sales and profits of these companies continue at satisfactory levels having regard to the shortage of many supplies.

INDUSTRIAL FOOD SERVICES DIVISION

This subsidiary was established early in the war years to supply food and refreshments to workers in industrial plants. The volume of business has been substantially reduced with the cessation of hostilities but it is expected that this volume will be restored when industry has completed its reconversion to peacetime production.

During the period under review, this Division has extended its operations to include universities, schools, mining camps, logging camps and other peacetime organizations.

These should produce a profitable volume of business. Plans are now being developed to augment this still further by establishing a contract food service for hospitals and other institutions of a similar character.

BALANCE SHEET

The Balance Sheet reflects the important expansion of your Company during the past year as outlined in the preceding sections of this report. The working capital stood at \$912,675.10 at the year end with a ratio of current assets to current liabilities of slightly better than 2 to 1.

During the year most of the former issue of \$700,000 5% Debentures was converted into capital stock of your Company and the small remaining balance was redeemed. On August 23rd, 1945, approval was given to By-law No. 24 authorizing the subdivision of the Company's shares into Class A and Common shares on the basis of 2 Class A and 4 Common shares for each share as previously constituted. This By-law also provided for an increase of 100,000 shares in the authorized Common Stock of the Company to provide for the conversion rights attaching to the Class A shares. On September 13th, 1945, approval was given to By-law No. 25 providing for the creation of an issue of 5% Cumulative Redeemable Sinking Fund First Preference Shares which will be available for issue as required in the future.

In order to reimburse your Company for the various acquisitions as outlined above and to provide it with funds for future expansion, there was issued before the end of the year \$700,000 3½% First Mortgage and Collateral Trust Serial Bonds. Since the year end the remaining \$300,000 4% Bonds of the total authorized issue have been sold.

CONSOLIDATED PROFITS

The net profits for the year amounted to \$293,494.28 in comparison with \$246,634.45 in the previous year. The following summary shows the comparative results for the past two fiscal years:

	1945	1944
Operating Profits	\$852,151.37	\$793,496.72
<i>Add:</i>		
Profit on sale of securities	42,526.42	14,726.41
	<u>\$894,677.79</u>	<u>\$808,223.13</u>
<i>Deduct:</i>		
Depreciation	\$156,230.46	\$138,887.99
Interest on		
Bonds and Debentures	32,475.91	17,421.24
	<u>188,706.37</u>	<u>156,309.23</u>
Profits before taxes	\$705,971.42	\$651,913.90
Provision for Income and Excess		
Profits Taxes	441,864.92	427,515.90
	<u>\$264,106.50</u>	<u>\$224,398.00</u>
<i>Add:</i>		
Refundable portion of Excess		
Profits Taxes—estimated ..	58,745.77	56,900.33
	<u>\$322,852.27</u>	<u>\$281,298.33</u>
Minority Interests	29,357.99	34,663.88
Net Profits	<u>\$293,494.28</u>	<u>\$246,634.45</u>

The increased earnings of the parent company and certain of its subsidiaries, together with the share of profits of the new companies acquired during the year, more than compensated for the reduced earnings from the industrial catering operations.

Income and Excess Profits Taxes continued to be an important factor in the determination of earnings remaining in the business, but there will be some relief in this regard in the new fiscal year.

EXCESS PROFITS TAX PROVISION

The Standard Profits of your Company and certain of its subsidiaries will not be finally determined until applications which have been filed have been heard and dealt with. Your Company has followed its usual practice of providing for taxation on a basis considered to be adequate when the Standard Profits of all companies are finally determined. However, in view of the uncertainty of the situation, your Directors decided to set aside out of surplus this year an additional \$50,000 for possible contingencies in this regard. This, together with a similar amount last year, makes a total appropriation of \$100,000 from the earned surplus of your Company.

DIVIDENDS

Four quarterly dividends at the rate of 62½c. per share and aggregating \$75,306.52 were paid during the year on the former Common shares of your Company. Dividends on the new classes of shares have been instituted at the rate of \$1.00 per annum and 50c. per annum on the Class A and the Common shares respectively.

Your Directors wish to record their appreciation of the loyal and efficient service rendered by the President and other officers during the year and also to commend to the shareholders the many employees of the Company and its subsidiaries whose loyal support and co-operation have contributed so much to the successful operation of your Company.

Your Directors look forward to the future with confidence.

Submitted on behalf of the Board.

E. P. TAYLOR,
Chairman.

January 3rd, 1946.

CANADIAN FOOD PRODUCTS LIM

Consolidated Balance

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$538,045.76	
Marketable Securities (Quoted Value, \$373,110.75):		
Dominion of Canada Bonds.....	\$232,900.00	
Listed Securities.....	79,696.25	
		312,596.25
Accounts Receivable, less reserve.....		226,960.68
Inventories (at lower of cost or market):		
Merchandise.....	\$375,840.06	
Supplies.....	153,853.21	
		529,693.27
Life Insurance—Cash Surrender Value.....		23,143.66
Prepaid Rents, Taxes, Insurance, etc.....		46,390.18
		<u>\$1,676,829.80</u>
REFUNDABLE PORTION OF EXCESS PROFITS TAX (ESTIMATED).....		185,944.44
MORTGAGE RECEIVABLE.....		25,000.00
FIXED ASSETS:		
Land.....	\$138,483.49	
Buildings.....	\$555,020.12	
Less Reserve for Depreciation.....	49,012.80	
		506,007.32
Installation Costs—Shops, Bakeries, etc.....	\$598,999.73	
Less Reserve for Amortization.....	357,758.18	
		241,241.55
Fixtures and Equipment—Shops, Bakeries, etc. \$1,539,401.82		
Less Reserve for Depreciation.....	949,606.09	
		<u>589,795.73</u>
		1,475,528.09
GOODWILL, TRADE NAMES, FORMULAE, ETC.....		1,432.180.68
		<u>\$4,795,483.01</u>

NOTE: Part of the operations of some subsidiaries are conducted on behalf of certain principals. These principals maintain trust bank accounts and are periodically reimbursed as expenditures are made. As the funds held and expended are shown on the balance sheet.

AUDITORS' REPORT

We have made an examination of the Consolidated Balance Sheet of Canadian Food Products Limited and its subsidiaries for the year ended on that date. In connection therewith we examined or tested the accounting records and other documents of Cafeterias, Limited, Federal System of Bakeries Limited and Manning Biscuit Company Limited and made a general audit of the transactions. We have had submitted to us financial statements of Picardy Limited, Picardy Candy Company Limited, auditors, which statements have been incorporated in the Consolidated Accounts above mentioned.

The provision for excess profits tax is an estimated amount and is subject to determination of standard practice.

We report that all our requirements, as auditors, have been complied with and, subject to the above mentioned, exhibit a true and correct view of the state of the combined affairs of Canadian Food Products Limited and its subsidiaries.

Toronto, December 14th, 1945.

ATED AND SUBSIDIARY COMPANIES

Sheet, October 30, 1945

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable and Accrued Expenses	\$437,217.80	
Provision for Income and Excess Profits Taxes after payments on account	326,936.90	\$764,154.70

FIRST MORTGAGE AND COLLATERAL TRUST SERIAL BONDS:

Authorized: \$1,000,000.00 consisting of \$700,000.00 3½% bonds maturing \$100,000.00 annually 1946 to 1952 inclusive and \$300,000.00 4% bonds maturing \$100,000.00 annually 1953 to 1955 inclusive.		
Issued: 3½% serial bonds maturing \$100,000.00 annually October 1, 1946 to 1952 inclusive		700,000.00

MINORITY INTERESTS IN SUBSIDIARY COMPANIES		54,779.40
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CAPITAL AND SURPLUS:

Capital Stock:

Authorized:

25,000 5% Cumulative Redeemable Sinking Fund First
Preference shares, par value \$100.00 each:

100,000 Class A shares of no par value, convertible, carry-
ing a cumulative preferential annual dividend of \$1.00
per share:

300,000 Common shares of no par value:

Issued:

90,088 Class A shares}	
180,176 Common shares}	\$1,467,470.10

Rest Account (Capital Surplus)	1,073,887.12
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Earned Surplus, including \$185,944.44 Refundable Portion of Excess Profits Tax	735,191.69	3,276,548.91
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\$4,795,483.01

als have advanced funds to pay the cost of operation of the respective cafeterias, which funds have been deposited in
liabilities incurred in this connection are primarily on behalf of the principals, these items are not shown in the above

TO THE SHAREHOLDERS

nd its Subsidiary Companies as of October 30, 1945, and of the Consolidated Profit and Loss and Earned Surplus Accounts
supporting evidence of the Parent Company, Industrial Food Services Limited, Woman's Bakery Limited, Muirheads
eral review of the accounting methods and of the Operating and Income accounts for the year but did not make a detailed
Alberta) Limited and Picardy Candy (Saskatchewan) Limited for the period ended October 30, 1945, certified by their

profits.

ments, that in our opinion the above Consolidated Balance Sheet at October 30, 1945, is properly drawn up so as to
Subsidiary Companies according to the best of our information and the explanations given us and as shown by the books.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

CANADIAN FOOD PRODUCTS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended October 30, 1945

Including the results of operations for the parent and six subsidiaries
for the full year and for the other two subsidiaries for ten months.

Profit from Operations (including \$42,526.42 profit realized on sale of securities) before providing for the undermentioned items.....		\$894,677.79
Provision for Depreciation and Amortization.....		156,230.46
		<u>\$738,447.33</u>
Interest on Bonds and Debentures.....		32,475.91
		<u>\$705,971.42</u>
Provision for Income and Excess Profits Taxes.....	\$441,864.92	
Less Refundable Portion of Excess Profits Tax.....	58,745.77	
		<u>383,119.15</u>
		<u>\$322,852.27</u>
DEDUCT:		
Profits earned by subsidiaries prior to acquisition.....	\$24,770.30	
Profits earned by subsidiaries accruing to minority interests....	4,587.69	
		<u>29,357.99</u>
NET PROFIT FOR YEAR.....		<u><u>\$293,494.28</u></u>

CONSOLIDATED EARNED SURPLUS ACCOUNT

For the year ended October 30, 1945

Earned Surplus, October 31, 1944.....		\$567,003.93
Add Net Profit for year.....		293,494.28
		<u>\$860,498.21</u>
DEDUCT:		
Appropriation for Possible Additional Taxes on Income.....	\$50,000.00	
Dividends paid.....	75,306.52	
		<u>125,306.52</u>
CONSOLIDATED EARNED SURPLUS, OCTOBER 30, 1945.....		<u><u>\$735,191.69</u></u>

CANADIAN FOOD PRODUCTS LIMITED

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Board of Directors

E. W. BICKLE	Toronto
J. A. GAIRDNER	Toronto
D. H. GIBSON, C.B.E.	Toronto
WALTER G. LUMBERS	Toronto
D. WORTS SMART	Toronto
E. P. TAYLOR	Toronto
HOWARD L. WALKER	Toronto

Officers

Chairman of the Board	E. P. TAYLOR
President	HOWARD L. WALKER
Vice-President	WALTER G. LUMBERS
Assistant to the President	A. M. TALBOT
Secretary	H. R. DOUGLAS
Treasurer	H. L. SLATER, C.A.

Bankers

THE BANK OF NOVA SCOTIA
IMPERIAL BANK OF CANADA

Transfer Agents and Registrars

THE TRUSTS AND GUARANTEE COMPANY, LIMITED
TORONTO

NATIONAL TRUST COMPANY, LIMITED
MONTREAL

Trustee for Bond Holders

NATIONAL TRUST COMPANY, LIMITED
TORONTO

Auditors

THORNE, MULHOLLAND, HOWSON & McPHERSON

Solicitors

FRASER, BEATTY, TUCKER, McINTOSH & STEWART

